

**ATTORNEYS FOR SOUTHBARK CORPORATION
and HRS HOLDINGS, L.L.C.**

**United States District Court
Southern District of Texas
FILED**

MAY 17 2010

David J. Bradley, Clerk of Court

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

CARLTON ENERGY GROUP, LLC,
Plaintiff,

V.

GENE E. PHILLIPS,
ROXANNE PHILLIPS, SYNTEK WEST,
INC., SYNTEK ACQUISITION CORP.,
ARCADIAN ENERGY, INC. F/K/A
INTERNATIONAL HEALTH
PRODUCTS, INC., PRIME INCOME
ASSET MANAGEMENT, INC.,
GENE PHILLIPS, AS TRUSTEE OF THE
ASHLEIGH PHILLIPS TRUST,
REALTY ADVISORS, INC.,
SOUTHMARK CORPORATION
D/B/A HIGHLAND REALTY SERVICES,
INC., CHEYENNE ASSET
MANAGEMENT, INC., INCOME
OPPORTUNITY REALTY INVESTORS,
INC., TRANSCONTINENTAL REALTY
INVESTORS, INC., AMERICAN
REALTY INVESTORS, INC.,
SANTA MONICA 2008, INC., AND
HRS HOLDINGS, LLC

Defendants.

Adversary No. _____

DEFENDANT SOUTHMARK CORPORATION'S NOTICE OF REMOVAL

PLEASE TAKE NOTICE, pursuant to Federal Rule of Bankruptcy Procedure 9027, Defendant Southmark Corporation (“Southmark”), a defendant in a State court lawsuit styled and numbered,

Carlton Energy Group, L.L.C. v. Gene E. Phillips, et al., Cause No. 2010-24278, in the 295th Judicial District Court, Harris County, Texas (the “Lawsuit”), hereby removes the Lawsuit from the State court to the United States Bankruptcy Court for the Southern District of Texas. Upon such removal, Southmark Corporation will move to transfer venue of the action to the United States Bankruptcy Court for the District of Nevada, Las Vegas Division, where EurEnergy Resources Corporation is a Chapter 11 debtor in Case No. 10-18071 (the “Bankruptcy Case”).

STATEMENT OF FACTS

1. EurEnergy is a company which engaged in a variety of energy related projects in both the United States and internationally. Among these projects was an effort to develop a coal bed methane project in Bulgaria. Southmark Corporation is the 80% majority shareholder of EurEnergy.

2. Plaintiff, Carlton Energy Group, L.L.C., brought the current Lawsuit in State court by suing Southmark Corporation and others for alleged fraudulent transfers made to avoid a jury verdict and judgment in its favor in *Carlton Energy Group, L.L.C. v. Phillips Oil Interests, L.L.C., et al.*, Cause No. 2006-80212, in the 295th Judicial District Court, Harris County, Texas (the “Prior Lawsuit”). An appeal of the judgment in the Prior Lawsuit is pending before the First Court of Appeals in Houston, Texas, and various post-judgment enforcement and discovery motions were pending in the State District Court. EurEnergy removed the Prior Lawsuit to this Court today by a separate notice of removal. Indeed, Carlton expressly stated in its Original Petition that the current Lawsuit “involves a claim for relief based upon a prior judgment” and sought assignment of the current Lawsuit to the 295th District Court based upon Harris County Local Rule 3.2.1 which states that “Any claim for relief based upon a prior judgment shall be assigned to the court of original judgment.” Original Petition at 2. As the current Lawsuit arises out of the Prior Lawsuit and asserts claims which Carlton asserts are based upon its rights as determined in the Prior Lawsuit, this Lawsuit and the Prior Lawsuit are inextricably intertwined, both with each other and the Bankruptcy Case.

3. On May 3, 2010, EurEnergy filed the Bankruptcy Case in the District of Nevada, Las Vegas Division, where the proceeding is pending before the Honorable Judge Linda B. Riegle. EurEnergy intends to file a plan of reorganization to treat the various claims of creditors, including Carlton. The issues presented by both the current Lawsuit and the Prior Lawsuit will be addressed in the Chapter 11 case. Thus, removal of the current Lawsuit to the Bankruptcy Court for the Southern District of Texas and subsequent transfer to the District of Nevada will promote judicial economy and conserve the resources of the parties by a providing a single, convenient forum for the resolution of all disputes. Since the current Lawsuit is expressly denominated as being an action for further relief based upon a judgment against a Title 11 debtor and is inextricably intertwined with the prior, removed action and the Bankruptcy Case, removal is permissible pursuant to 28 U.S.C. § 1452(a) and Federal Rule of Bankruptcy Procedure 9027(a). Indeed, Carlton expressly requested that the current Lawsuit be heard by the Court having the Prior Lawsuit before it and, given the removal of the Prior Lawsuit, the only means of accomplishing this are removal and transfer to the Bankruptcy Court.

4. The Bankruptcy Court for the District of Nevada will have jurisdiction over this matter pursuant to 28 U.S.C. § 1334(a) and (b). This matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A) and (B). The bankruptcy judge in the District of Nevada may enter a final order.

5. Pursuant to Bankruptcy Rule 9027(e)(2), EurEnergy attaches copies of all pleadings and orders entered in the Current Lawsuit.

6. This Notice is filed in this Court and the State Court Lawsuit is removed to this Court because of the District Court's standing order of automatic reference of suits to this Court over which this Court has jurisdiction under 28 U.S.C. § 1334.

7. This notice is timely filed within thirty days of EurEnergy's bankruptcy filing.

8. Pursuant to Bankruptcy Rule 9027(c), removal of the Lawsuit is automatic upon the filing of a copy of this Notice of Removal in the 295th District Court in Harris County, Texas.

May 17th 2010

Respectfully submitted,

UZICK & ONCKEN, P.C.



BY: _____

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COUNSEL FOR SOUTHMARK CORPORATION
A DEFENDANT

CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of this pleading was transmitted to the counsel listed below via certified mail, return receipt requested and facsimile transmission this 17th day of May, 2010.



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